



May 18, 1954

Government Employee's Health Association,
Washington,
D. C. 25X1A9a

Attn:

Gentlemen:

The premium rates set out in my letter of April 19, 1954 are gross premium calculations. In regard to net premiums, we are pleased to outline for you our retrospective rating plan. If the insurance plan as set out in the quotation is accepted, and the premium under the plan is at least \$200,000 per year, the Company's maximum "retention" under this retrospective rating plan would be 12.2% of the first and subsequent years' premiums.

We should like to point out that this is a stated retention figure, and not an estimate, and this retention figure will be placed in rider form and made a part of your group insurance contract.

Our retrospective rating plan provides that the policy is to be written at the premiums outlined in this quotation. At the end of each contract year, the actual net cost of the insurance will be the sum of the following items subject to a maximum of 100% of the policy premium:

Company retention. 12.2%

Incurred claims. ✓

— A conversion charge of \$60.00 per thousand of Group Life Insurance converted. ✓

✓ A contingency reserve in the amount of 5% of the gross premium for each contract year shall be set aside for use by the policyholder to provide a fund during any period where claims are excessive or where premium rates need adjustment. This reserve shall not be accumulated for a period of more than ten



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years providing it has not been necessary to draw on the fund during the previous ten-year period.

X① The difference between the policy premium and the sum of the Company retention, the incurred claims, and conversion and contingency reserve shall be returned in the form of a cash refund to the master policyholder, or applied as a credit on the premium payments as directed by the master policyholder at the end of each contract year.

The items of expense included in our retention of 12.2% include the preparation of descriptive booklets, payment of all state and federal premium taxes, processing of claims, payment of all overhead and profit to the Company.

Yours sincerely,



A. W. Randall,
Manager,
Group Department.

AWR:GK

